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DE RUEHUM #0461/01 1660902
ZNR UUUUU ZZH
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FM AMEMBASSY ULAANBAATAR
TO RUEHC/SECSTATE WASHDC IMMEDIATE 0008
INFO RUEHUL/AMEMBASSY SEOUL 2296
RUEHBJ/AMEMBASSY BEIJING 5058
RUEHOT/AMEMBASSY OTTAWA 0316
RUEHMO/AMEMBASSY MOSCOW 1515
RUCPODC/USDOC WASHDC 1047
RUEATRS/DEPT OF TREASURY WASHDC
RUEHLMC/MILLENNIUM CHALLENGE CORP WASHINGTON DC 0289
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UNCLAS SECTION 01 OF 03 ULAANBAATAR 000461

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E.O. 12958: N/A
TAGS: [PGOV](#) [EMIN](#) [EINV](#) [MG](#)
SUBJECT: Tense Standoff in Protest at Foreign Mine

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11. (SBU) SUMMARY: On June 14, 60-year old male protester died at the Boroo Gold mining site. Protest leaders claimed this occurred after Boroo security guards used a stun gun on him. However, mine officials stated that the elderly protestor apparently died of a heart attack while trying to climb a steep mine slope, a view the National Police said was confirmed by an autopsy. Leading the protesters at the site was a Cabinet Minister from a small populist party, who asserted -- almost certainly falsely -- that he had government authority to shut the mine down. There reportedly is now a standoff at the site, with the Minister bringing additional protesters from Ulaanbaatar, and Boroo Gold seeking strong government action to expel what it regards as criminal trespassers. In late afternoon June 14, the government was considering what actions to take. The death and standoff come at a sensitive time for foreign mining interests. DCM weighed in June 15 with the Ministry of Foreign Affairs and the Prime Minister's office to seek assurances regarding the safety of Americans employed by Boroo and to seek clarification regarding the Minister's claim he was acting on government authority (both surmised he was expressing personal views). END SUMMARY.

One Dead in Protest

12. (SBU) The incident happened after protesters bused to the site from Ulaanbaatar breached the mine perimeter, led by Health Minister L. Gundalai. The National Police later identified the deceased as 60 year-old, Banzragchiin Batsuuri, a Mongolian citizen. A Boroo Gold official told the Embassy the man had a heart attack while trying to climb the steep slope that led into one of the mine's active pits. While a newspaper reported that the man collapsed after a stun gun was used on him, National Police officials confirmed to the Embassy that there were no stun guns used nor were there any at the site. Efforts by Boroo staff and its medical center to revive him were unsuccessful. Police officials said that autopsy confirmed that the man died of a heart attack.

13. (U) The Boroo Gold mining site is about 70 miles

northwest of Ulaanbaatar, close to the road to Darkhan. Boroo, which is almost fully owned by Canada's Centerra Corporation, began gold production in 2004. The company expects to mine about 180,000 ounces of gold per year till 2010. The firm is seeking to extend its processing life in Mongolia by developing other gold sites.

One Foot in the Government, One in the Street

14. (SBU) The protest against Boroo Gold was organized by the Healthy Society Movement (HSM) together with the People's Party. Health Minister Gundalai, the head of the People's Party and its sole MP, was at the site during the protest. A Boroo Gold official (strictly protect) told the Embassy that Gundalai had incited the protesters. Before setting out from Ulaanbaatar, protest leaders had demanded cancellation of Boroo's stability agreement with the government covering the mine, raised questions about the whereabouts of US\$50 million it said the company had promised to the government, and had accused the company of environmental damage. Gundalai also accused Boroo Gold of failing to pay the government US\$50 million it owed -- a figure apparently obtained by using the "good will" figure for Boroo from Centerra's annual corporate report. Gundalai stated that he would shut the mine down until this "debt" was paid, and asserted at the site that he had the authority of the government in making such a statement. Boroo shut the gold mill down in an effort to quell passions.

Standoff at the Mine

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15. (SBU) On the afternoon of June 15, Boroo officials told the Embassy that Gundalai is still at the mine, where he continues to repeat statements the government has authorized him to shut the mine down. Additional protesters and tents have arrived from Ulaanbaatar. Boroo has contacted a range of official -- Prime Minister, Police head, aimag (province) officials, and soum (district) officials -- asking the government to take a stand against what they consider a criminal action by Gundalai. According to Boroo, the soum officials and the police head have indicated that they are working on a plan to support the mine, which may include efforts to bring in police. Boroo has put activated its crisis management plan and is briefing the media on its view of events. Canadian Commercial Minister Ken Lewis currently visiting from Beijing has said he will speak of Canada's concerns to the government. A Boroo official expressed concern to the Embassy that, if the government does not respond, then the situation might get out of control. Police sources told the Embassy at 1500 that the government was then meeting in a special session to consider how to proceed.

Just Beginning, or the Beginning of the End?

16. (SBU) It may take several days for the impact of the protest and the death to become clear. Boroo wish the GOM and State Great Hural (SGH, the parliament) to take a stand against what they consider a criminal action by Gundalai. (Note: MPs are protected from arrest, unless the SGH lifts their immunity.) The soum officials and the police head have indicated that they are working on a plan to support the mine, which may include efforts to bring in police from the soum and UB. Boroo officials, who are in crisis management mode, have given interviews to TV 25, Eagle TV, and four papers. Boroo have told the embassy it is

concerned that, if the GOM does not respond, then the violence and abuse may get out of control. Boroo has said it will also point out to officials and media that Mongolia's international reputation and local economy will suffer if officials abuse their positions.

Major Issues for the Miners

17. (SBU) The incident comes at a time when Mongolia's mining industry was already facing tension and uncertainty. The SGH this week began to examine amendments to the Mineral Law, with the notional hope of passing the bill prior to recessing in early July. Both foreign and domestic mining firms have urged the issue be deferred, and spoken against the proposed amendments, which include the government's right to take a majority stake in "strategic" mineral deposits (with no mention of compensation). "Strategic" is broadly but vaguely defined with ample room for discretion and interpretation and thus corruption. The SGH will likely pass a tax reform bill before recessing, and the mining firms are seeking favorable provisions, and counseling repeal of the windfall profits tax on copper and gold enacted only a month ago. The Embassy has urged the government and MPs to act carefully and with a view toward transparency and ensuring a stable, predictable, and satisfactory business environment for foreign and domestic investors.

MFA, PM's Office Contacted

18. DCM weighed in the afternoon of June 15 with Ministry of Foreign Affairs Director General for the Americas, Middle East African Affairs Jambaldorg and Foreign Policy Advisor to the Prime Minister Davaasuren to seek assurances regarding the safety of Americans employed by Boroo and to seek clarification regarding Minister Gundalai's claim that he was acting on government authority. Both said they would check but surmised Gundalai was expressing personal views and

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those of his party by not the GOM. In late breaking news, Canadian Commercial Counselor advised DCM that the Prime Minister had just ordered Minister Gundalai back to Ulaanbaatar and a police riot squad has been sent to the Boroo site to "clear out the protestors."
SLUTZ